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ABSTRACT

Generally, business policy is thought of as a course rather than as a field of study or as a broad discipline. This view has limited the development of substantive knowledge unique to the problems of total enterprise management. Evidence indicates that a broader view of these problems and new opportunities for further development are emerging. Strategic management is offered as a label for these broader viewpoints. The central task of the strategic management process is the need to deal with the problems of adapting the total organization to its environment and to environmental changes. Advances will likely come from empirical research and from hypothesis testing of the constructs now developing around the concept of strategic management. This wider view of business policy has a number of teaching implications, especially in light of the need for trained research scholars and teachers to work directly in the new area. (Author/JG)

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A Broader View for an Emerging Discipline

by

Dan E. Schendel and Kenneth J. Hatten

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Dan E. Schendel*
Kenneth J. Hatten**

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*Associate Professor of Industrial Administration, Krannert Graduate School of Industrial Administration, Purdue University, Lafayette, Indiana 47907.

**Doctoral Program, Krannert Graduate School of Industrial Administration, Purdue University, Lafayette, Indiana 47907.

ABSTRACT

BUSINESS POLICY OR STRATEGIC MANAGEMENT:

A Broader View for an Emerging Discipline

Generally, Business Policy is thought of as a course rather than a field of study or a broader discipline. This viewpoint is the result primarily of the role traditionally assigned to Business Policy, that of integrating knowledge gained in functional coursework through study of complex problems from a general manager's viewpoint.

This view of Business Policy as a course has limited the development of substantive knowledge unique to the problems of total enterprise management. A broader view of these problems and realization of opportunities for further development is emerging. Evidence for this is cited and a new name, Strategic Management, is offered as a label for these broader viewpoints.

The characteristics of Strategic Management are outlined to indicate the tasks making-up the Strategic Management process. The central characteristic cited is the need to deal with the problems of adapting the total organization to its environment and to environmental changes.

The need for substantive knowledge which can advance the field is developed. It is argued that advances will come from empirical research and hypothesis testing of the constructs now developing around the strategy concept.

Finally, the paper notes the teaching implications raised by this wider view of Business Policy, especially the need for training research scholars and teachers to work directly in the new area.

BUSINESS POLICY OR STRATEGIC MANAGEMENT:
A Broader View for an Emerging Discipline

Introduction

Since the Gordon and Howell (1959) and Pierson (1959) reports, perhaps spurred more by those reports than by the actual conceptual growth that has occurred in matters of strategy across the decade of the sixties, the course, Business Policy, has enjoyed an adoption rate in Schools of Business and Administration that may be unmatched by any other single course in any other field relevant to the management of organizations. Yet the development of strategic concepts, even the limited research contributions, all indicate that the real growth and contributions are yet to come, and they are badly needed.

This paper suggests that Business Policy is generally thought of as a course, not a field of study or a broader discipline, and that such thinking (and perhaps even the name Business Policy) is a limitation to its development and further study. A broader view of the field widely labelled Business Policy is needed. We call that view Strategic Management.

Our purpose is to first indicate the common view of Business Policy and then to show that Strategic Management, a wider view and a new name, can not only accommodate the conventional purpose awarded Policy, but it can also accommodate and facilitate development of a new, burgeoning field of study based on empirical research and underlying behavioral and mathematical disciplines. Such research, in turn, can lead to richer analytical methods applied to Strategic Management problems. Finally, we indicate some of the teaching issues raised by this wider view of Policy.

Current Views of Business Policy

The current views of Business Policy, as is true of so much of current management education, have their origins in the Harvard Business School. There, Business Policy was first taught more than fifty years ago. In those early days, Business Policy was the prime example of the importance Harvard placed on general administrative problems as they were viewed by top management and as they cut across industry and departmental lines.

In the late fifties the study by Gordon and Howell of American business education endorsed the importance Harvard and some others (but too few according to the study) placed on Business Policy. To Gordon and Howell (1959, p. 206), Business Policy had a vital role to play:

> The capstone of the core curriculum should be a course in "business policy" which will give the students an opportunity to pull together what they have learned in the separate business fields and utilize this knowledge in the analysis of complex business problems.
>
> Without the responsibility of having to transmit some specific body of knowledge, the business policy course can concentrate on integrating what has already been acquired and on developing further the student's skill in using that knowledge. The course can range over the entire curriculum and beyond.

Here again, the importance of a capstone, to pull together or integrate knowledge of separate business fields, to develop further skills in using already implanted knowledge is emphasized. Indeed, Gordon and Howell saw this integration taking place successfully because there was no responsibility for transmitting "some specific body of knowledge." In this they differed not at all from the many texts current at the time.

Even today, one of the leading policy texts, Business Policy: Text and Cases by Learned, et. al., (1969), demonstrates that these

earlier features, even traditions of Business Policy, have been maintained. These authors describe Policy as "the study of the functions and responsibilities of general management and the problems which affect the character and success of the total enterprise," or as a "broadening of the promised perspective of the specialist." However, Learned, et.al. venture, albeit tentatively, beyond the traditional concerns of integration, complexity, the total enterprise, and top management, when they suggest "a considerable body of literature purporting to make general statements about policy making is in existence...yet the most valid literature for our purpose is... case studies." So, while suggesting its existence, independent and non-case research seemed too little advanced to claim extensive attention.

And so even at Harvard where it all began, and among some of the foremost teachers of Business Policy there, energy available for work in Business Policy should be used "not in perfecting the definition of concepts, but in preparing to discuss cases and coming to conclusions about these issues."

As a recent popular song puts it: "Is that all there is?" Is Business Policy as Starbuck (1966) once defined it before a similar gathering of the Academy of Management,"a course which appears near the end of a student's curriculum bearing the title 'Business Policy?' Is Policy simply a course?"

There can be no doubt that this is how Policy has been viewed traditionally. The dominant concern has been with its role, not so much as a subject for instruction, but as an integrating experience for the student, as simply a course. It is true that more recently attention has been given to such teaching devices as Business Games and simple computer models as elements of a new approach to teaching Policy. But the total emphasis has been on teaching to compensate for specialization outside the Policy

Area, to integrate the knowledge and skills gained in "functional" courses and to provoke a top management view.

Strategic Management: A Wider View

While this view of Business Policy is valuable and its place as a course in management education appears secure, there is evidence of a wider view being taken, one that promises to extend beyond just a single course. The basis for this wider view is to be found in the concept of strategy. It gives rise to substance and carries a role in the administration of organizations (not just business organizations, incidentially) that we need to examine further.

For example, even a superficial examination of the Policy textbooks published recently shows a growing recognition of the concept of strategy. Indeed, these days "strategy" and "strategic" appear to be essential words in the titles of new books and all authors seem to offer some comments on the application of strategy in the practice of Policy. Perhaps more important than what are sometimes minor changes in title and preface have been the attempts to provide a more careful conceptual framework for the management of Policy, or to use the term suggested here, Strategic Management.

Chandler (1962) was one of the first to apply the term strategy to Policy questions, while one of the most comprehensive conceptual developments was Ansoff's Corporate Strategy, (1965) in which the problem solving model, first developed by Dewey and later expanded by Simon (1960), was applied to the problem of formulating strategy. More recent attempts have been offered by Cannon (1968) and another by Katz (1970). These authors provide many useful concepts and terms. However, in none of these books is there explicit recognition of the possibilities for research in the area, or at least not beyond the possibilities of case study.

Other authors have made valuable contributions. Thompson (1962) indicated the importance of relating the organization to its environment. Marriage of Thompson's and Chandler's notions leads to a definition of strategy that we believe is useful:

> Strategy is defined as the basic goals and objectives of the organization, the major programs of actions chosen to reach these goals and objectives, and the major patterns of resource allocation used to relate the organization to its environment. (Cooper and Schendel, 1971)

While strategy is the underlying concept, preoccupation with it as a concept rather than with its application to the management of organizations has been characteristic. There has been a tendency to use nouns where the verb form would be a more insight provoking mode. While strategy may be seen as a definition or as a determination, a more useful approach can be developed by looking at the activity of managing strategy, i.e. the process of Strategic Management.

Strategic Management can be defined as the process of determining (and maintaining) the relationship of the organization to its environment expressed through the use of selected objectives, and of attempting to achieve the desired states of relationship through resource allocations which allow efficient and effective action programs by the organization and its subparts. Strategic Management seeks a stable and viable match between the organization, its needs and resources, and the needs of the environmental setting, i.e. the larger milieu of which the organization is a part.

Strategic Management can be taught in the framework already developed for Business Policy. Obviously, the management of an organization's strategy, which is to say the management of the organization, can only be developed at the top end of the organization where the interests of the total organization can be kept fully in view.

However, rather than adopt the limiting view that the management of strategy (or if you like Policy) is an instinctive and personal attribute held by leaders or general managers only, as might be done in Business Policy conceptions, it seems that it,like other management activities, can be analyzed and modeled. Indeed, all levels of the effective organization depend upon Strategic Management for their cues. In any case it appears that theoretical approaches to this activity can be developed and that the various steps in the process of Strategic Management are as amenable to investigation as is, say, Marketing Management.

Without belaboring the point we want to say that Strategic Management is concerned with maintaining a viable relationship between the organization and its environment. It is concerned with the whole organization and the integration of its functional sub-parts. These concerns establish Strategic Management as a major area of study relevant to organizations, especially business organizations.

The following list suggests some of the detailed characteristics of Strategic Management. Space does not permit their full development, but these characteristics, even briefly noted, should point out how the area is more broadly conceived than Business Policy, and how it generally differs from this narrower concept.

- Strategic Management is concerned with environmental change, its anticipation and adaption to it. Hence, environmental forecasting methodology is of great relevance to the strategic manager.

- All organizations, including businesses, must be related to their environment. Hence, defining and maintaining this relationship is a broad area of concern and it pervades all purposive organizations.

- Means of integrating the sub-parts of the organization, through formal planning and control systems are of concern to Strategic Management. Planning methodology becomes of vital interest, especially Strategic Planning.

- Operations Management, i.e. the efficient performance of the organizational sub-parts (in a business such sub-parts are marketing, manufacturing, etc.) is dependent upon sound strategy determination. Effective strategies are only partially determined by the sub-parts. External forces play a key role as well, hence effective Strategic Management must be outward looking.

- A separation of Strategic and Operations Management is a key necessity for top management. Efficiency of the organizational sub-parts can become a substitute for an effective relationship between the organization and its environment.

- Determination of basic organizational purposes is an essential task of Strategic Management, as is the determination of the objectives for the organizational sub-parts. These objectives form the basis for sub-part strategy determination and, as such, the hierarchy of objectives provides a means of integration.

- Strategic Management requires the student to study a wide range of topics for its full development. For example, economic theory, especially industrial organization; forecasting and statistical methods generally, ethics and social concerns; organization theory and underlying behavioral disciplines suggest the topics of interest. These go well beyond what a single course or other specialization would or could provide.

Research Needs and Methods in Strategic Management

Because of the traditions in the Policy area much of the research that has been done was formulated to incorporate its results into case studies and teaching aids. This is necessary and useful work, but the field, if it is to be one, is in need of empirical research support. To date the conceptual development of the field has outstripped the research derived evidence available to support, deny, or modify it.

There is no reason why research in the area should not, like that in the established functional areas of management, use the various research tools and methods that have been applied or developed in the underlying disciplines in the social and mathematical sciences. Two recent studies, one by Thune and House (1970), the other by Ansoff, et.al. (1970)are examples of research that has broken with traditional methods of Policy research. Both studies attempted to relate the existence of planning systems to measures of corporate performance.

Unless we move from a situation of many cases and little theory to one of many theories and little evidence to support them, we need to expand the type of empirical research undertaken by Ansoff, and House and Thune. In this section we examine some of the major empirical research needs and approaches that might be taken to expand the relevance of the Strategic Management area.

Empirical research is necessary to allow the better formulation of a theory of Strategic Management. As Bower (1967 p. 9) points out,

> "At its essence good theory states its basic propositions in the simplest most general form possible, and in a form which makes abundantly clear the relationship among key assumptions and the manner in which the theory bears on evidence. Good theory cries for empirical corroboration or refutation and beyond this, good theory stimulates experiments which extends the theory."

The amount of empirical research evidence now available suggests that the theoretical development of the field can not yet be described as "good."

At present, the most promising approach to management of the total enterprise is provided by the concept of strategy, and more particularly by that of Strategic Management. Strategic Management can provide a

sound basis and a structure for the needed research effort. The concept is being increasingly accepted as a useful teaching device and perhaps is receiving even greater acceptance in management practice. It is now a matter of extending its usefulness and proving its worth in the theoretical development of the field.

The research effort must begin with valid strategic questions -- that is those questions germaine to the action of the total organization in its relations with the environment, which focus on change in these relationships, and which emphasize committed activity by the total organization. Such questions will distinguish research in Strategic Management from that in the functional areas of business, and its underlying economic, mathematical, and behavioural disciplines which, it must be acknowledged, overlap Policy to a greater or lesser degree. We suggest that the following criteria, derived from the definition of Strategic Management, may provide a useful starting point:

i) does it concern the activity of the total organization in the environment;

ii) does it relate to the basic objectives and purposes of the organization;

and if used in conjunction with either (i) or (ii) or both,

iii) does it relate to the major commitment of resources to planned courses of action; and

iv) does it relate to the monitoring and control of the total organization.

The identification of such questions before commencing work would, in itself, constitute a significant break with the practice of the field. The initiative for research in Policy has come mostly from the professional manager who has invited the academic consultant to become involved in a problem

of an operating business. In essence researchers have assumed that practice is good and that the examination of real situations provides the only way of studying policy. Our point is that the initiative for the research is largely exogenous to the discipline.

It would be of long term utility for the development of the discipline if researchers more frequently identified their own problems and priorities out of their own concepts, and then looked for appropriate vehicles for carrying out the research. The selection of the research situation and the methodologies to be used would be more often based on the premise that the research should provide answers to a defined question. At present we carry out much data collection and then having a specific case or situation seek a general question for its application. Alone, this approach is insufficient to allow the theoretical development of the field. Hard empirical data is needed so that we can use legitimate scientific tests to reject or develop the hypothetical constructs already available.

The methods of research traditionally used in the Policy area have been those most applicable to the case study -- interview and observation. These approaches are not of themselves conducive to the testing of hypotheses. They approximate the inductive rather than the deductive method.

Using these methods, different researchers can reasonably draw different conclusions from the same data. These differences of opinion are difficult to resolve because there is no methodology available for rejecting one opinion or another using the data from which they were developed. However, if data amenable to statistical testing were available it would be possible to reject those constructs which failed to provide accurate predictions.

The range of research approaches available and the statistical methods which complement them is very extensive. The discipline has been inner directed and indifferent to developments in the fields of study underlying it. Figure 1 helps present a picture of alternative research approaches available and highlights those largely neglected in Policy.

The diagram purports to identify the capability for developing an increased quantification and a more reliable empirical base as it moves clockwise towards the center; at the same time the methods reflect increasingly greater control over the situation under investigation. The diagram is intended to be illustrative, not definitive, and it is not intended to suggest that research in Policy should follow a sequence of methods towards an "unerring" model of the firm. Research should use any combinations of the methods available, in any order, to develop and refine the theoretical base of the field.

Currently, however, research in Business Policy could be placed in the outer ring, in the inductive area. While some work pertaining to Policy is being carried out in the synthesis area, it has had to rely on conceptual developments and data resources from outside the Policy area. This reliance has reduced the validity of synthetic models for strategic analysis and problem solving. The area where attention is needed is the second ring, the area of deductive studies, with reliable data specifically collected to allow the development of testable answers to strategic questions. With such data, and the answers it might provide, the utility of the synthesis type of approach to Policy problems would increase, as would the substantive content available to courses in the area.

The definition of Strategic Management already given encompasses the functions of management referred to in the classical management literature: planning, organizing, controlling. It also encompasses the "essential" tasks of an organization referred to under various guises in the organization theory literature: the tasks of relating to the environment and society, of maintaining legitimacy, of procuring resources and of allocating them to achieve purpose, and of organizing and controlling its members. Using the concepts of the classical functions of management, and the concepts of the organization's tasks with the definition of Strategic Management, we can identify several broad areas in which research could provide useful evidence to guide botn the practice and teaching of Strategic Management and the theoretical development of the field -- here Kurt Lewin's dictum, "there is nothing so practical as a good theory," seems relevant.

Table I attempts to identify the underlying disciplines from which empirical and theoretical support might be available to develop a research effort. It also indicates some of the research approaches which might be found applicable to the problem area. Space does not permit us to develop these beyond the listing shown, but hopefully the wide range of empirical research opportunities open to us is indicated. Further work in any of these areas would help the emerging area of Strategic Management to grow.

Teaching Implications of Strategic Management

We have already suggested that Business Policy is usually thought of as a single course with a primary goal of integrating knowledge gained elsewhere. Nothing we have said denies this need or suggests the replacement of the Policy

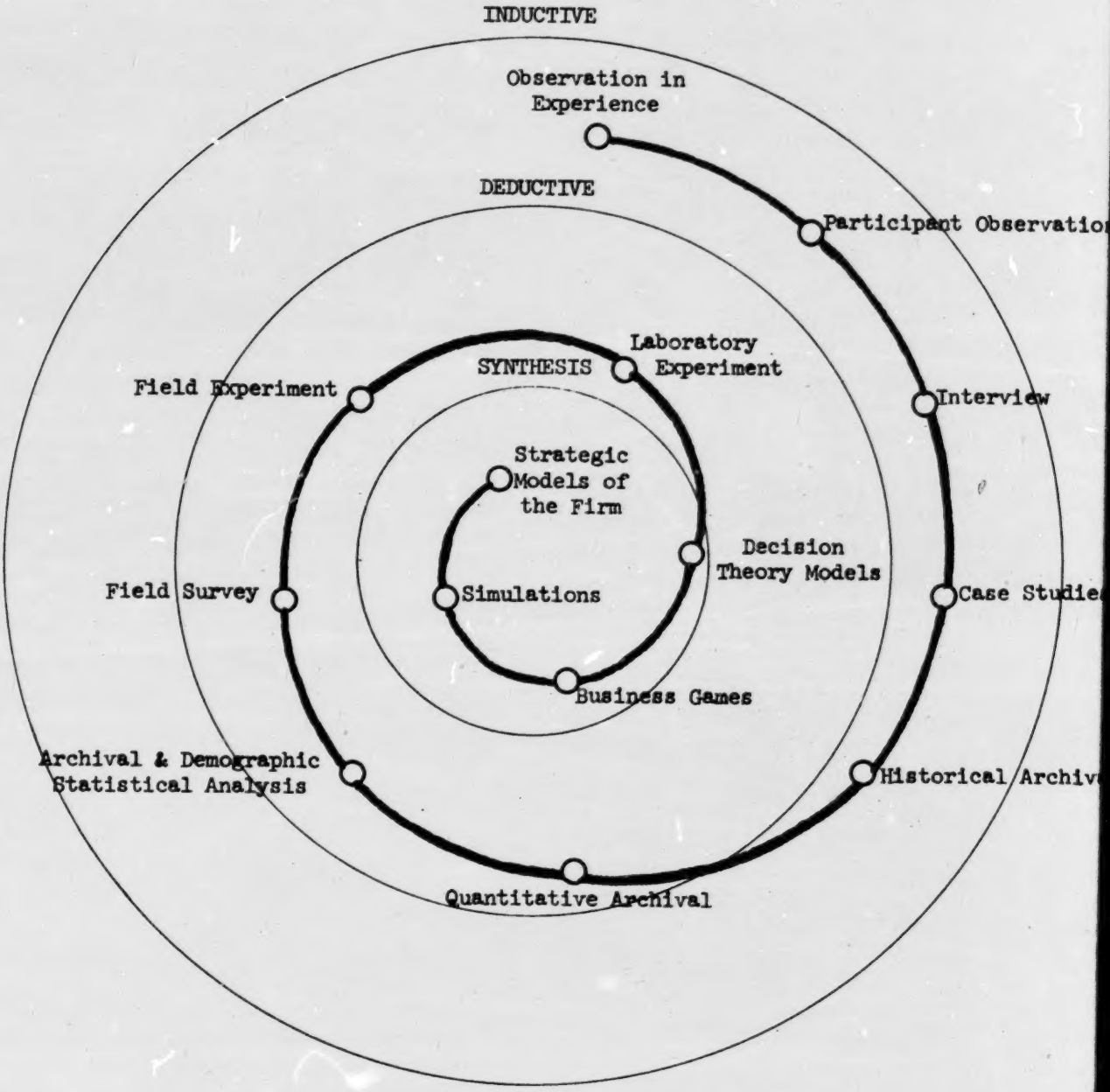
course as the central core of Strategic Management. However, if we are to view Strategic Management as more than a course as having a wider purpose than simply helping to integrate knowledge received elsewhere, and as an area worthy of study in its own right, then there must be coursework in place and available for the student who would study it, either for purposes of becoming a staff expert, a line manager (he probably would be a practicing executive in a continuing education program), or a research scholar and teacher in the area.

Not all of the courses needed to pursue specialization in the area are available. Unfortunately, the very courses that are unavailable are those that would deal with the substance of the field. Perhaps it is even too early to say the courses are lacking, perhaps it is still the substance that is missing? For example, coursework in environmental assessment and forecasting methodology usually does not exist, although this seems to be changing. Courses in formal planning and control systems which could fulfill the integrating function of Policy in much more substantive ways than existing Policy courses, are still largely confined to either financial budgeting, or to information systems notions that are hardware and not decision oriented. Even the Business Policy course could do more than it seems to be doing in typical formulations of it.

Hence, if a "major" or specialization were to be provided, certain coursework is yet to be developed. Still, there is much coursework available in other areas of interest that can provide useful training for the scholar who would choose to specialize in Strategic Management. Research methodology courses abound in better doctoral programs. Supporting

work in the behavorial sciences, especially organization theory is becoming increasingly available. In general, the would-be scholar is in a much better position than the would-be professional manager or staff specialist who does not have substantive courses on which to rely. As we have noted, applied coursework still tends to exist in the singular, and often too narrow, Business Policy course.

This lack of coursework, which reflects a stunted substantive growth, must change if Strategic Management is to become a viable area. To effect this change will require scholars and teachers who are well trained in matters and methodology relevant to Strategic Management. Unfortunately, and too frequently in the past, the Policy course has been viewed as a proper burying ground for academic white elephants. The senior man, often outdated in his substantive field, but "terribly experienced in a senior way" was regarded as the best candidate to teach the Policy course. This attitude too must change, among our colleagues and our Deans, if real progress is to be made. It implies training of research scholars interested in developing and working in the area. Through such training will come the needed coursework and more importantly the substantive knowledge needed to develop Strategic Management as an area of specialization.



Research Methodologies

Figure 1

Table 1

Research Areas in Strategic Management

Major Areas for Research	Allied Fields of Study and Research Methodology
1. Organizational Purpose and Objectives	
- Major Purpose or Ultimate Objective - Coordinating Role or Hierarchy of Objectives - Multiple Objectives - Communication of Purpose - Relationship to Environment - Social Functions of Organizations - Measures of Effectiveness - Standards - Process of Objectives Determination - Influences Modifying Objectives - Legitimization of the Organization - Social Responsibility	- Economic Theory, - Ethics - Political Science - Organization Theory - Social Psychology - Philosophy
2. Organizational Methods in Strategic Management	
- Influence and power effects within the organization - The place of authority - Organizational response to major environmental changes - The influence of role structures in the perception of strategy and the functioning of it - Structure and technology and strategic choice - Participation in strategy determination - The problem solving approach to strategy formulation - Program management	- Organization Theory and Organizational Psychology - Social Psychology - Psychology - Sociology - Anthropology - Decision Theory - Logic - Program Budgeting Systems

Table 1 (Continued)

3. Environmental Forecasting	
- Technological Forecasting	- Econometrics
- Social and Normative Forecasting	- Statistical Forecasting Methods
- Economic Forecasting	- Technological Forecasting
- The isolation and generation of alternative courses of action	- Time Series Analysis
- Monitors of change	- Social Psychology
- Corporate and Industry Growth Patterns, Life Stage and Strategic Choice	- Attitude Surveys
	- Field Survey Methodology
	- Systems Analysis
	- Predictive Methods
	- Demography
4. Resource Allocation	
- The establishment of priorities	- Venture Analysis
- Factors influencing priority formulation	- Capital Budgeting
- Criteria for industry entry and venturing	- Decision Theory
- Extrapolation of trends and the concept of gap analysis	- Economic Theory
- Planning systems and the control of Planned Action	- Welfare Economics
- Trigger signals for corporate action	- Mathematical Programming
- The strategic Audit	- Non Parametric Statistics
- Indicators of Strategic Success or Failure	- Information Science
- The Strategic Significance of Short term Events and Corporate Response to them (e.g. fire, flood...)	- Communications Theory
- Synergy effects of the planning process within the organization	- Systems Analysis
- Multiple objectives as criteria in conditions of uncertainty	- Control Theory
- Large scale organizational venturing	- Operations Management
	- Organization Theory
	- Cost/Benefit Analysis

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Paper No.	Title and Author(s)
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